

NEWS RELEASE

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FORMER KBR EMPLOYEE AND SUBCONTRACTOR CHARGED WITH \$3.5 MILLION GOVERNMENT CONTRACT FRAUD IN KUWAIT

SPRINGFIELD, IL – Assistant Attorney General Christopher A. Wray of the Criminal Division and U.S. Attorney Jan Paul Miller of the Central District of Illinois announced today that two men – Jeff Alex Mazon, a former employee of Kellogg, Brown & Root (KBR); and Ali Hijazi, the managing partner of a Kuwaiti business, LaNouvelle General Trading and Contracting Company – have been indicted on charges of devising a scheme to defraud the United States of more than \$3.5 million related to the awarding of a subcontract to LaNouvelle to supply fuel tankers for military operations in Kuwait.

The 10-count indictment, returned by a federal grand jury in Peoria, Illinois, on March 16, 2005, charges both Mazon and Hijazi with four counts of major fraud against the United States and six counts of wire fraud. Mazon, 36, was arrested yesterday in Norcross, Georgia, and was scheduled to make his initial appearance in federal court in Atlanta this morning. Future court appearances for Mazon will be scheduled in the Central District of Illinois in Rock Island. Hijazi, who does not reside in the United States, has not been apprehended.

According to the indictment, from December 2002 to June 2003, Mazon worked in Kuwait as Procurement Materials and Property Manager for Kellogg, Brown & Root Services, Inc. (KBR). In that capacity, his duties included the negotiation, execution and administration of subcontracts on behalf of KBR under the prime contract KBR had with the U.S. Army known as LOGCAP III. At that time, as alleged in the indictment, Ali Hijazi was the managing partner of LaNouvelle General Trading and Contracting Company, a Kuwaiti company which provided subcontracting services to KBR under the LOGCAP III prime contract.

LOGCAP (Logistics Civil Augmentation Program) is a U.S. Army program that uses civilian contractors to support the logistical needs of the U.S. military forces. In December 2001, the LOGCAP III prime contract was awarded to KBR by the U.S. Army Operations Support command, with headquarters at the Rock Island Arsenal in Rock Island, Illinois, and was administered by the Army Field Support Command, also at the Rock Island Arsenal.

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Among the Army's requirements as part of the LOGCAP III prime contract was the storage and dispensation of fuel at the airport used by the U.S. military for military operations in Kuwait. The indictment alleges that from in or about February 2003 and continuing to on or about Dec. 17, 2003, Mazon and Hijazi devised a scheme to defraud the U.S. government.

The indictment alleges that on or about Feb. 2, 2003, Mazon solicited bids by e-mail from potential subcontractors for fuel tankers to store and dispense fuel at the airport for a six-month period. The cost of the subcontract was estimated by KBR at \$685,080.

The indictment alleges Mazon inflated the bid he received from Hijazi of LaNouvelle for fuel tankers to ensure that LaNouvelle would be overpaid. Also, without the knowledge or consent of a Kuwaiti business that submitted a competing bid, Mazon allegedly inflated the competitor's bid to ensure that LaNouvelle's inflated bid would be the low bid. Mazon allegedly tripled both bids and, in February 2003, on behalf of KBR, Mazon awarded the subcontract for fuel operations at the airport to LaNouvelle. The subcontract specified that KBR was to pay LaNouvelle more than \$5.5 million – nearly \$5 million more than the KBR estimate of just over \$680,000.

From about March 2003 through August 2003, the indictment alleges Mazon and Hijazi caused LaNouvelle to submit six invoices to KBR and receive payment in full in the total amount of approximately \$5,521,230. The indictment further alleges that the fraudulent conduct of Mazon and Hijazi caused KBR to submit four vouchers for payment to the U.S. government for costs KBR incurred in paying the LaNouvelle invoices, plus KBR's allowable fees under the LOGCAP III prime contract. Soon after Mazon left employment with KBR, in or about September 2003, Hijazi allegedly presented Mazon with a \$1 million check in exchange for Mazon's favorable treatment of LaNouvelle.

If convicted, the maximum statutory penalty for each count of the offense of major fraud against the United States is up to 10 years in prison and a fine of \$5 million or up to twice the amount of the gross loss or gain. For each count of the offense of wire fraud, the penalty is no more than 20 years in prison and a fine of up to \$250,000, or both.

"The Department of Justice is committed to ensuring that hard-earned taxpayer dollars are not siphoned off or wasted in our defense procurement processes," said Assistant Attorney General Wray. "Especially in a time of war, the relentless pursuit of those who would fraudulently divert money for their own benefit must be a high priority."

U.S. Attorney Miller said, "These charges address not only the alleged waste and abuse of taxpayers' money, but also the reprehensible squandering, through alleged fraud, of money designated to support U.S. troops. Any attempt to abuse government contracts to illegally enrich oneself will be aggressively investigated and prosecuted."

Several investigative agencies participated in the criminal investigation, including: Weysan Dun, Special Agent in Charge, Federal Bureau of Investigation, Springfield Division; Byram Tichenor, Special Agent in Charge, Internal Revenue Service Criminal Investigation Division, Chicago Field Office; Richard D. Zott, Special Agent in Charge, Defense Criminal Investigative Service, Central Field Office, St. Louis, Missouri; and, Brian A. Hauck, Special Agent in Charge, U.S. Army Criminal Investigation Division, North Central Fraud Field Office, Detroit, Michigan.

The case is being prosecuted by Gregory R. Walters, Assistant U.S. Attorney, Peoria Division; Jeffrey B. Lang, Supervisory Assistant U.S. Attorney, Rock Island Division; and John Michelich, Senior Trial Attorney, Criminal Division, Fraud Section, U.S. Department of Justice.

Members of the public are reminded that an indictment is merely an accusation; the defendants are presumed innocent unless proven guilty.

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